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5. Democratic transfer: everyday neoliberalism, hegemony and the prospects for democratic renewal

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1. INTRODUCTION: THE PARADOX OF PUBLIC PARTICIPATION

In September 2008 Iceland's three privately owned banks collapsed when they were unable to refinance combined debts that equalled six times Iceland's GDP. The banks, aided by political cronyism, had speculated on transferable fishing quota and used the virtual capitalization these quotas provided to expand aggressively abroad (Durrenberger and Palsson, 2015).[1] Faced with the prospect of national bankruptcy, the government moved quickly to put domestically owned assets into public receivership and liquidate the foreign-owned assets of the banks. The effects of the collapse were severe. The market capitalization of the Icelandic stock exchange lost 90 per cent of its value, and Icelandic GDP contracted with 5.5 per cent in the first six months of 2010. Iceland was bailed out by a €5.5 billion debt package provided by the IMF and the Nordic countries. The government imposed strict capital controls to protect the currency. Many Icelanders lost their life's savings.

While Iceland's financial crisis followed the pattern of the crises in other countries, its political aftermath, initially at least, was different. Iceland's population revolted. After months of daily street protests in front of the *Albingishús*, Iceland's parliament, the government resigned. A coalition of Social Democrats and Greens was asked by the president to form a government. At the same time a series of experiments with direct democracy and social media occurred. One of the most important ones was the initiative by a crowd-sourcing company to prepare for a National Meeting of 1000 participants to outline a new national constitution. A Constitutional Council that represented Iceland's population held

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meetings with citizens and drafted a new constitution. The draft constitution was presented to the parliament, which by then had lost interest in the initiative and acted to defeat it (Interview with member of the Constitutional Council by author).[2] Institutionalized political society rejected a unique democratic innovation that had originated and was formulated in Icelandic civil society.

The story of Iceland is a microcosm of the collapse of the global financial industry in September 2008 that triggered a worldwide economic crisis, the effects of which are still with us. It contains a number of important lessons for the state of democracy in the developed societies of the West.

First, after the collapse of the banks, the interpenetration of the state and the international financial order was such that national liberal democracies were powerless to prevent the subsequent socialization of huge financial losses. Consequently citizens and communities lost control over important life domains, such as work, housing, the built environment, wages, labour conditions, income and assets.

Second, another form in which the interpenetration of the state and the corporate world manifested itself was extreme leveraging, or the 'debt trap'. Debt was not a mere by-product of the financial crisis and the massive bailouts this required. Debt, both consumer and public debt, has become central to macroeconomic policy, the organization and functioning of the financial industry, and to state and household budgets. However, consumer debt concentrates financial risk and loss on those least able to bear it (Mian and Sufi, 2014). Debt also resulted in processes of depoliticization, in which decisions about the distribution of wealth and income are transferred from national parliaments to international agencies, transnational agreements and the discipline of credit rating agencies (Streeck, 2013; Brown, 2015). While consumer debt is stimulated, public debt is portrayed as an economic vice. This has resulted in across-the-board, ideologically-driven austerity policies that amount to a further transfer of wealth from lower-income to higher-income groups.

As a consequence, third, a growing divide has emerged between the global economic and political order and national democratic control. One central element of the global political-economic order is the expanding framework of international trade agreements. These agreements are agreed upon out of sight of national elected bodies and with minimal democratic control, yet they severely constrain local and national democratic initiatives, while freeing giant transnational firms from national control and fiscal obligations. International trade agreements have a particularly pernicious effect on climate control initiatives (Klein, 2014).

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Fourth, this dominant neoliberal political rationality has worsened an already prevalent, widespread democratic deficit (Norris, 2011). This deficit endangers not only the normative heart of liberal democracy – which stipulates that every individual who is potentially affected by a decision should have an equal opportunity to affect that decision – but also undermines the legitimacy and democratic ethos of national governments and international institutions.

Fifth, austerity policies fly in the face of basic economic theory, have empirically proven to slow down economic recovery and to increase inequality, but are nevertheless promoted by political parties of both the right and the left (Wren-Lewis, 2015). Similarly, a model of economic growth that is fuelled by private consumption and increasing consumer debt, and the speculation of permanent low interest rates, sharply increases the risk of economic bubbles (Dietz and O'Neill, 2013; Hay and Payne, 2015: 27). The obvious unsustainability of both of these strategies points to the deeper issue of cultural hegemony. A worldwide mode of economic organization and democratic governance has emerged whose assumptions are no longer questioned but whose effects are detrimental to citizens, the demos and the natural environment. This dominant neoliberal political-economic rationality has resulted in democratic impairment in the following three significant ways: a narrow, procedural and elitist conception of democracy has led to an equally narrow conception of the political that places most of economic life out of bounds for democratic decision making; corporate actors have easy access to national power centres to the point that they co-regulate important national policies; and processes of depoliticization, and de-democratization, have resulted in an erosion of key elements of liberal democracy such as an institutionalized commitment to equality, universalism, solidarity, the rule of law and active citizenship (Bachrach, 1967; Mirowski, 2014; Crouch, 2011; Brown, 2015).

However, hegemony seldom goes unchallenged. Thus, sixth, in the face of this democratic impairment, citizens and communities can, and, as we will see, do, organize themselves to design more democratic structures for (self-) governance. Yet, such popular sovereignty is regularly ignored, or remains unacknowledged, by dominant economic-political institutions and ideologies and fails to influence liberal electoral democracy.

In every advanced economy in the world, participatory democracy is on the rise (Warren, 2002). Not only in the mature liberal democracies in the West do we encounter countless experiments with spontaneous, uninvited citizen participation and government-initiated forms of democratization, but even recently, or still, authoritarian regimes such as, respectively, South Korea and China, are experimenting with

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e-democracy and citizen co-governance at the neighbourhood level (He and Warren, 2011; Wan, 2015). Yet, those initiatives present a paradox to the observer. While we can point to a large number of democratic innovations in civil society, national governments not only continue to act against the interests and needs of large parts of the population, but also to limit the reach of democracy. Many of the same countries that show considerable amounts of democratic innovation also show a retreat of both democratic value and procedure. In fact, in all of these societies we observe extensive processes of depoliticization and de-democratization (Wood and Flinders, 2014; Brown, 2006; 2015). The purpose of this chapter is to analyse this paradox and to suggest a strategy to overcome it.

Following the example of Iceland, the basic thesis of this chapter is simple but far-reaching: we cannot understand the full import of public participation in contemporary liberal-electoral democracy without taking its political economy into account. Concretely, that means that an inevitable starting point for such an analysis is the worldwide economic crisis triggered by the collapse of the global financial industry in 2008 (Streeck, 2013; Crouch, 2011). That crisis, its antecedent factors and its legacies of inequality, high levels of consumer debt, secular stagnation, austerity politics, the erosion of labour rights, mass surveillance, the continued exploitation of natural resources, and the erosion of democracy, form the economic-political-cultural environment of both institutionalized electoral democracy and the different participatory innovations that have sprung up in the civic sphere (Klein, 2014; Brown, 2015; Mathews, 1999; Boyte, 2004). Differently put, more public participation or interactive governance, important as these are in their own right, do not necessarily result in an expansion or deepening of institutionalized liberal democracy. On the contrary, this type of democratic innovation seems to go hand in hand with democratic impairment. In fact, as the sixth lesson above suggested, civic sphere democratic innovation might be regarded as a reaction to a decline of the scope and quality of democracy. However, as a first step in finding answers to these questions and unravelling the paradox of public participation, we need to have a clearer understanding of the nature of democracy. In addition we need a set of criteria to be able to assess a decline or advancement in the quality of (aspects of) democracy and democratic governance.

This chapter has two parts. The first part is an extensive analysis of civic sphere participation against the background of the double hegemony of the current neoliberal economic-political order. Without a deep understanding of the nature of hegemony it is impossible to grasp the challenge of democratic renewal and why de-democratization and restless civic

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sphere activity seem to operate alongside each other. In the final part I will discuss the possibilities for overcoming this hegemony through the gradual transfer of democratically innovative civic sphere practices into the institutional framework of liberal democracy.

2. PARTICIPATORY DEMOCRACY IN CAPITALIST TIMES

Most analysts would agree though that the core meaning of democracy centres on two complementary ideals: the distribution of powers of decision-making to those potentially affected by collective decisions and equal participation in collective judgement (Warren, 2001: 60). The second ideal requires processes of communication through which individuals come to know and develop their preferences, values and beliefs, and through which collectivities develop skills of collective judgement, usually by forming civic associations based on voluntary attachments (Warren, 2001: 60). Over the course of two centuries a set of institutionalized procedures, beliefs and practices has emerged in Western nations which has simultaneously developed and sustained the first ideal of influencing decision-making; minimally to protect against an arbitrary state, and more expansively to develop structures of accountability (Macpherson, 1977). This has resulted in the well-known 'liberal electoral democracy' characterized by a regime of competitive parties, limited opportunities for political participation through voting and organized groups, representative oversight and accountability, constitutional constraints on government activity, due process rights against the state, the right to speak and associate, and an administration of experts governed by an administrative ethos (Dryzek, 1996; Manin, 1997). The second ideal of individual development and collective judgement traditionally has been less well developed and, as we will see below, is often actively discouraged by political elites.

When we analyse democratic impairment an important normative-methodological consideration is called for. It is in the nature of democracy that it is a historically bounded, open-ended project. It is an inspirational ideal to which we subscribe, but may never ultimately attain (Norval, 2007). In fact, this dynamic quality, this need for and possibility of continuous improvement, is considered one of its abiding characteristics (Dewey, 1954[1927]; Dryzek, 1996; Griggs et al., 2014). For this reason, we should not ontologize 'democracy'. That is, that we should not presume to know in advance who are the recognized, authoritative actors in 'democracy', which actions count as democratic and which not,

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or which are the designated arenas for democratic decisions. To analyse the impairment and possible improvement of democracy with such a decentred approach one needs a few basic, open-ended criteria of democratic quality. I choose to follow Dryzek, who suggests three dimensions that more or less exhaustively describe the possibilities of democratic quality: franchise, scope and authenticity (Dryzek, 1996: 5). *Franchise* refers to the inclusiveness and pluralist character of democratic process, the number and diversity of people who are able to influence decisions that affect them. *Scope* concerns the 'domains of life under democratic control', and *authenticity* refers to the quality of democratic deliberation, 'the degree to which democratic control is substantive rather than symbolic, informed rather than ignorant, and competently engaged' (Dryzek, 1996: 5). The advantage of these dimensions for the analyst is that they allow her to describe advances but also reversals in democratic functioning.

Dryzek's three dimensions of democratic quality make it possible in principle to assess the contribution to democratic quality of each of the welter of civic sphere innovations. For example citizen initiatives in disadvantaged neighbourhoods (Wagenaar and Specht, 2010; Moulaert et al., 2010) would 'score' an increase in franchise (by bringing in groups that had hitherto been neglected) and authenticity (because many citizen initiatives emphasize the deliberative quality of their interactions among each other and with other actors) (Wagenaar, 2007). Scope is not affected; the issues that are subject to this form of participatory decision-making are the same as those that are dealt with, though inadequately, by traditional politics. We could in principle repeat this exercise for all the other forms of democratic innovation, such as area-based policy making, interactive governance, citizen juries, civic enterprises, participatory budgeting, protest movements, and so on. Our conclusion would probably be that these innovations have added something positive to electoral democracy and that liberal democracy has genuinely deepened in the last two or three decades. Yet the fate of the Icelandic citizen constitution should make us sceptical about premature optimism. The above exercise would do nothing to overcome the participation paradox. In fact, it would simply corroborate that an institutionalized democratic system that excludes ever more areas from democratic debate and oversight, and relentlessly increases the number of surveillance points, exists in parallel to a vibrant civil society that either ignores political society or acts in defiance of it. Something is missing in our analysis of democratic participation, something that makes us overlook the forest for the trees. That missing element is hegemony.

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3. THE DOUBLE HEGEMONY OF LIBERAL DEMOCRACY

What is Hegemony?

Democratic scope, franchise and authenticity do not form a level playing field. There are strong and enduring discrepancies in political, economic, coercive and discursive power. These discrepancies are significant for both the eroding quality of democracy and the prospects for its improvement. Concretely, democracy and economy are subject to two powerful interlocking hegemonic complexes: the dominance of democratic elitism in imagining politics, democracy and the public (Avritzer, 2002; Tully, 2008), and the dominance of market thinking in imagining the organization and governance of economy, citizenship and society (Streeck, 2013; Crouch, 2011; Mirowski, 2014; Brown, 2015).

Hegemony is sometimes defined as the political and intellectual leadership of a regime (Gamble, 1994: 13); I use a definition that combines discursive and Gramscian elements. In discursive terms hegemony is the existence of horizons of intellectual and practical possibility, moral authority and of collective and individual imagination that includes both political and civil society. These intersubjective forms of consciousness are embedded in and sustained by the institutional, practical and linguistic organization of society (Rose and Miller, 1992; Owen, 2003; Morton, 2007). However, these shared beliefs and practices do not emerge *sui generis* but are imposed and sustained through law, regulation, institutions, professional conduct, surveillance and government technology (Morton, 2007: 96). In this way the concept of hegemony ties inner experiences to political rule (Walters, 2012: 22). Moreover, hegemony always generates counter-hegemonic behaviour that challenges, protests or subverts the hegemonic configuration (Foucault, 1983: 221–22; Tully, 2008: 143), although, for reasons that I will explain, often in isolated, disconnected and inchoate ways. For the conceptualization and design of democratic innovation in the face of the transformation of post-war capitalist democracy it is important therefore that we discuss in more detail the nature of hegemony and the kind of counter-hegemonic reaction it generates.

Hegemony can best be described as a form of intellectual and behavioural captivity. Captivity comes in two kinds: ‘aspectival’ and ‘ideological’ (Owen, 2003: 88). The term hegemony encapsulates both, but as they require different kinds of, and different prospects for, critique, it is important that we distinguish them. Ideological captivity ‘refers to

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the condition of holding beliefs that are both false and compose a worldview that legitimates certain oppressive social institutions' (Owen, 2003: 89; Geuss, 1981). Aspectival captivity differs from ideological captivity in that it is not tied to the explicit falsity of the beliefs of the agents. It refers to 'a system of judgments that functions as a necessary background to our being in the world in terms of which it takes on its intelligible character' (Owen, 2003: 89; Cook and Wagenaar, 2012). As so much of this background knowledge is grounded in embodied practices and composed of tacit understanding and prejudgements that make more conscious judgement possible in the first place, we cannot easily reorient ourselves or even reflect on this form of captivity. For this, genealogical analysis is required. I will return to this later in this chapter.

What makes the critical hermeneutic task of analysing hegemony so difficult is that it is in the nature of aspectival captivity that it reaches into every aspect of belief, practice and consciousness. It forms a closed, comprehensive system in which each element reciprocally supports the other elements. This gives a hegemonic complex a certain 'objectivity', something immutable, self-evident and taken-for-granted. Challenges to one or another element of the hegemonic complex are met by incomprehension. Reactions range from a baffled 'How could it be otherwise?' to an irritated 'What is your alternative?' Any such alternative would 'obviously' be deemed infeasible and lack authority. This type of captivity results in democratic impairment in the following way: to engage in collective judgement – one of the key elements of democracy – requires that individuals are able to critically examine themselves and others, participate in reasoning processes and arrive at judgements that they can effectively defend in public (Warren, 2001). This requires a modicum of individual and political autonomy. Hegemony, in the sense described above, constrains both of these forms of autonomy.

We are now in a position to understand why civic sphere innovation per se does not necessarily deepen democracy or resolve the participation paradox. If our collective capacity for critically examining the assumptions on which our political-economic system rests is impaired, the democratic reach of public participation (in terms of franchise, scope and authenticity) is likely to be itself a hegemonic captive and therefore restricted. Or, alternatively, even if public participation were able to shake off its hegemonic fetters and present a real challenge to the reigning powers, it would probably not be able to bridge the hegemonic divide (Graeber, 2013; Klein, 2014).

To complete my brief excursion on hegemony, a final remark is called for. The purpose of the analysis of aspectival hegemony is not only to be critical but also to be therapeutic. Such analysis 'motivates us, in terms of

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our commitment to self-government, to engage in the practical task of overcoming this condition of unfreedom. It does this through redirecting our political subjectivity towards experiments with altering our games of government to minimize the degree of domination within them' (Owen, 2003: 95). In other words, genealogical analysis addresses both the question of how we sense that something is amiss and needs to be addressed, as well as the question of how to imagine, design and implement viable alternatives. I will return to this aspect of genealogical analysis later in this chapter. First we need to explicate the nature of the double hegemony that I posited above.

Democratic Elitism

Our collective understanding of electoral liberal democracy is strongly influenced by the doctrine of democratic elitism. Democratic elitism stipulates that decision-making should be confined to elected elites, that democracy is, and should be, procedural (a method for maintaining a relatively open society by rotating elites), that civil society can only insert itself in political society through elections, that democratic accountability is restricted to this periodic elite rotation based on a competitive struggle for votes, and that equal participation in collective judgement through association is a threat to democratic stability. The rationale for democratic elitism is threefold. First, the people are considered unable and unwilling to understand social, economic and technological complexity. Second, mass society is too large to be governed by direct participation. For both of these reasons elite deliberation and expert public administration should substitute for popular sovereignty. The third element is the fear of, and protection against, the irrationality and anti-democratic tendencies of the masses, which ordains that preservation of democratic values is best entrusted to elected elites (Bachrach, 1967; Avritzer, 2002).

Democratic elitism has attained hegemonic status in the theory and practice of liberal democracy, with direct consequences for the understanding of democratic impairment and the possibility of renewal. It manifests itself for example in the almost exclusive attention in the media for the (national) political and electoral process, and the concomitant neglect of civic society initiatives. It is expressed in taken for granted expressions such as 'the primacy of politics' ('*het primaat van de politiek*' in Dutch), or in notions of citizen initiatives as only 'complementing' electoral democracy, as in the, in the Netherlands widely popular, idea of 'self-help democracy' ('*doe-democratie*') (van de Wijdeven and Hendriks, 2010). Democratic elitism also underlies some of the

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well-known deficits of electoral liberal democracy, such a tendency for governance capacity to lag behind developments in society and the compromised linkages between officials, administrators and citizens (Warren, 2014: 46). At the same time, within a system that is dominated by the taken-for-granted tenets of democratic elitism, civic sphere activities, either initiated by citizens or by local governments, have a hard time finding recognition and having real impact on the quality of institutionalized liberal democracy.

The Neoliberal Transformation of Capitalist Democracy

The financial-economic crisis of 2008 didn't happen overnight. It has its roots in a series of complex, discordant changes, beginning roughly in the late 1960s, in the domains of law, regulation, technology, the organization of firms, business practices and economic discourse, which gradually transformed the world economic-political order (Streeck, 2013; Crouch, 2011). In the course of half a century these changes added up to a neoliberal transformation of the economic and political order that is now so deeply entrenched that it fills the entire discursive space of the twenty-first-century political economy. This transformation of collective and individual imagination has profound consequences for the state of democracy. I discern five such major changes.

First, the economic order has become more international, interconnected and multipolar. One effect of this has been the emergence of a democratic deficit where national sovereignty encounters technocratic but binding forms of transnational governance (Gamble, 2014). Second, the last 40 years saw the rise of the 'giant transnational firm'. A giant transnational firm is: 'one that is sufficiently dominant within its markets to be able to influence the terms of those markets by its own actions, using its organizational capacity to develop market-dominating strategies. A giant firm … is also one that is active across more than one jurisdiction.' (Crouch, 2011: 49). Entry barriers and network externalities have made massive concentrations of corporate power possible (Crouch, 2011: 35, 39), but it was the subsequent changes in anti-trust law fuelled by economic doctrine that turned the Transnational Corporation (TNC) into such a formidable player that it dissolved the market in certain areas of economic activity and resulted in a 'corporate takeover of the market' and of national governments. A word of explanation is in order to grasp how hegemony is created in this area and sustained by wilful changes in regulation.

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Anti-trust law, as it emerged in the US around the turn of the twentieth century, aimed at counteracting the well-known tendencies for concentration in a field of businesses to preserve market competition (and thus efficiency) and consumer choice. Intellectually and practically (by preventing undue influence of large businesses over politics) anti-trust law aided, and aimed to copy, political pluralism. However, classical anti-trust law became an obstacle to the interests of the newly emerging giant TNCs. In the 1980s, in a neoliberal climate of profound distrust in government – the same ideological movement that resulted in the restructuring of public administration according to corporate principles – a number of legal scholars from the radical Chicago School of economics began to formulate an alternative. Their intellectual innovation, more momentous than anyone could foresee at the time, was to substitute consumer welfare for consumer choice (Crouch, 2011: 55). By increasing the level of wealth in the economy, the argument went, consumers would have more choice. Thus, if economic efficiency, and thereby wealth, were increased through the merger of a number of firms, this would benefit all consumers. From here it was a few short steps from the notion of consumer welfare to shareholder maximization. The increase in wealth, and consumer welfare, is best expressed, it was argued, in the maximization of shareholder value (Crouch, 2011: 103).

Again the profound implications were hard to grasp at the time. First, the responsibilities of the firm were reduced to the concern of only one stakeholder: shareholders (often absentee financial interests with large stakes in a company) to the detriment of other stakeholders in the firm such as consumers, employees, pension holders, communities or the natural environment. Second, the concentration of economic power in combination with the transnational nature of TNCs resulted in their undue influence over national governments. The economy began to liberate itself from political-bureaucratic or corporatist control (Streeck, 2013: 55). Not only do firms just lobby but they do so more effectively, enter government to jointly write regulations, organize their passage, secure large subsidies or public bailouts when necessary, and shape public discourse (Farnsworth, 2012; Sanchez Bajo and Roelants, 2013: 81; Brown, 2015: 229). If all else fails, the threat to relocate with the ensuing loss of employment in a region or community is usually sufficient for governments to come in line. The result of these developments is a densely interlinked international financial and economic system, where the actions of large global players are coordinated by systems of transnational standardization, which are jointly created by TNCs, national governments, rating agencies and international organizations. We have seen that this system has not only resulted in a

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catastrophic loss of control of citizens and communities over core domains of their lives, but also that such a system is financially and environmentally unsustainable.[3]

The third large postwar change is that the successful Keynesian pact between capital, labour and the state that emerged from the ruins of WWII has gradually unravelled (Streeck, 2013; Offe, 1984). This pact allowed businesses to expand in exchange for their contribution to higher wages that reflected the workers' share of increasing productivity, as well as to expanding welfare state programmes that constrained potentially catastrophic life risks and provided a welter of public services. The institutionalized collaboration between capital, labour and the state resulted in the democratic welfare state that is characterized by strong unions, full employment, sector-wide wage agreements, institutionalized worker participation in corporate governance, lifetime employment, progressive taxation to curb social inequality, generous retirement programmes, as well as a large public sector that promoted redistributive policies, a range of universalist social security and welfare programmes and subsidized health, education and transport services (Streeck, 2013: 56). The nature of post-war democratic politics was tied up with the shape of the welfare state in such a way that political parties, periodic elections, and by implication, democratic legitimacy, were framed relatively narrowly. Citizenship was formulated in rather passive, minimal terms, more or less restricting itself to electoral participation and membership of the nation state, which allowed access to the full panoply of public services and welfare state programmes. In a world where the welfare state is under siege, citizenship, as we will see, has now a completely different meaning.

Fourth, debt has come to occupy a central role in the political economy of contemporary democratic capitalism. The role of debt and its implications for democratic citizenship are so important that it is necessary to give the development of debt some attention here. There are two strands in the story of the nature of debt in the capitalist system, as it has emerged in the last 40 years. The first considers it an 'endogenous feature of a system being built by economic entities that have developed particular ways of organizing institutionalized behavior and practices, and are now taking active part in co-regulation with governments' (Sanchez Bajo and Roelants, 2013: 71). The second sees excessive debt as the result of business' recalibration of its role in the post-war societal pact (Offe, 1984; Streeck, 2013). Streeck argues that the retrenchment of business from the post-war pact resulted in a series of debt crises that ultimately created the financial meltdown of 2008. When business was no longer willing to finance its share of the full employment, growing

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affluence and social security of the post-war world, Western governments were facing an acute legitimation crisis (Streeck, 2013: 61). Most governments initially solved this by following an inflationary monetary policy to finance the expected wage increases and welfare state programmes at a rate that exceeded increases in productivity. The result was a surge in inflation of the mid and late 1970s and an acute 'fiscal crisis of the state' (O'Connor, 1973). This set in motion an interlocking series of budgetary retrenchments and dismantling of key aspects of the post-war full employment regimes. In the face of large-scale industrial restructuring, the export of labour to low-wage countries, and unsustainable inflation, full, lifetime employment became untenable. Labour unions came to be actively resisted by governments and/or saw steep declines in membership and the practice of sector-wide wage agreements was abandoned. Under the banner of reform that was necessitated by an emerging consensus about the 'crisis of the welfare state' (OECD, 1981), cradle-to-grave, universalist welfare state arrangements were gradually dismantled. All this put pressure on a model of citizenship that was based on collective rights, distributive justice and representative democracy (Amin et al., 2002: 3).

At the same time a process of financialization of the international economy was set in motion in which the financial industry began to decouple itself from the 'real' production economy and make the creation and assumption of financial risk its core business (Sanchez Bajo and Roelants, 2013: 51). Special vehicles (shadow banks) and highly leveraged products were created that were not subject to the usual banking regulations and did not show on the balance of investment banks. Sanchez Bajo and Roelants point out that these products significantly changed the traditional fiduciary client–bank relationship that was based on trust, into a counter-party relationship in which each party takes on risk on an independent basis (2013: 52). The traditional passive investor, who holds shares in a company and expects financial dividends, was gradually replaced by the active investor, in the shape of investment funds, sovereign wealth funds, and so-called 'raiders' who specialize in hostile takeovers. This resulted in a quantum shift in the control of firms and governments. To maximize returns, these investors actively restructured the companies they invested in by breaking them up and selling the profitable parts, with no concerns for the long-term consequences for workers or communities. To make it possible to value firms in a consistent manner, accounting standards were standardized worldwide (Useem, 1996; Sanchez Bajo and Roelants, 2013: 89). In combination with the erosion of anti-trust laws and to make way for the shareholder model, this led to a financial and corporate culture in which short-term

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financial gain was valued over long-term investment in firms, workers and communities. Control over the firm shifted from the real stakeholders such as producers, workers, suppliers and clients, to external absentee owners. National tax systems which privilege corporate debt acted as an incentive for the absentee owners to saddle firms with huge amounts of debt for the purpose of bringing down their own tax burden (Sanchez Bajo and Roelants, 2013: 88). At the same time the emergence of mathematical modelling and high-speed computing allowed for the rapid movement of highly interconnected global financial flows while making the risks involved even more hidden. The result was an opaque financial system in which information was highly asymmetrical, the amount of leverage was sometimes 100 times notational value, rating agencies were coopted by large investment banks, profits were dependent on ultra-rapid debt flows, and risk could, and would, no longer be assessed properly.

The liberalization of debt markets (in combination with a neoliberal ideology of personal responsibility) created a climate in which citizens began to take on debt to finance their middle-class lifestyle. Starting in the 1990s, consumer debt rose sharply (the well-known 'privatized Keynesianism' (Crouch, 2011: ch 5; Streeck, 2013: 68). The effect of these changes amounted to a transition from a taxation state to a debt state (Streeck, 2013: 117). The effect on democratic governance has been a strong shift in the already precarious balance between capitalism and democracy toward the former, de facto creating an antagonistic relationship between the two:

> (M)uch more than in the past, the providers of credit, to safeguard their claims, make deliberate efforts to gain influence over state politics. In this way, in addition to citizens, who were the only reference group in the democratic taxation state and in established democracy theory, a second category of claim bearers and decision makers steps forward in the Debt State. (Streeck, 2013: 117, author's translation)

To maintain the loyalty of both, national governments have to manoeuvre between their two main stakeholders (credit providers and citizens). If they lean too much towards the demands of their citizens, credit providers will call in outstanding credit and no longer provide new credit. If its citizens see a government as a puppet of international capital, it risks a loss of legitimacy and defeat at the polls. Streeck argues that the debt state has dire consequences for democratic governance. In particular he observes a limitation by international capital of both the sovereignty of the nation state as well as the democratic freedom of its citizenry to decide over its interests and circumstances (see also Lazzarato, 2011: 159). An important instrument in this trend is to depoliticize as many

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decisions in the socio-economic realm as possible. This happens by the transfer of national decisions to supra-national bodies, regulation and agreements, by handing over decision-making powers to fiduciary organizations such as national banks, by subjecting national decision making to the assessments of international rating agencies, and by adherence to alleged economic orthodoxy that ascribes the cause of national debt to profligate welfare programmes (instead of insufficient tax intake, bailouts of banks and industries and generous corporate welfare) and dictates draconic cuts in social services to bring down national debt.

Fifth, a powerful neoliberal narrative that depicts the state as oversized, overbearing, inefficient and obstructing 'natural' market efficiency has supported the move towards a debt state. This led to the marketization of many state services and the introduction of corporate management techniques into public sector agencies. Paradoxically, the neoliberalist drive towards a small state has also resulted in a strong state that is willing to intervene to safeguard corporate interests and defend itself against alleged external and internal threats (Gamble, 1994; Brown, 2006). Some analysts discern a partial retreat of the state from its traditional commitment to due process, egalitarianism, political liberty, the rule of law and a free press (Brown, 2006; Lazzarato, 2011; Mirowksi, 2014). The upshot is that we witness how powerful political-economic forces have eroded the quality of democracy.

The Double Hegemony at Work: Everyday Neoliberalism

The concept of hegemony has a considerable inner complexity to it. As the brief genealogy of capitalist democracy illustrates, hegemony is a multidimensional phenomenon.[4] First, it includes beliefs and understandings, in our case about the proper composition and functioning of an economy and a democracy. These beliefs are supported by scientific theories that describe and purportedly explain markets and electoral systems. Second, hegemonic systems contain norms and values. Economic systems do not just function as markets in a descriptive sense; markets are deemed superior to all other systems of economic organization. This leads to normative oppositions, as that between markets (efficient) and state (by nature inefficient and detracting from the efficiency of markets, thus needing to be contained). Taken together, beliefs and norms naturalize a phenomenon. The way the phenomena present themselves to us (markets, electoral systems) is the way it is and should be. They are a commonplace element of our environment. They don't warrant a second thought. They are as familiar as trees or rain showers. Hegemonic beliefs and norms create a shared mythology. For

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example, most introductory economics textbooks depict markets as an ahistorical, natural form of human organization.[5] Or, many pundits depict electoral democracy as a uniform and universal system of voting, if necessary to be exported wholesale to those troubled regions that don't enjoy it yet.

Taken together, beliefs and norms, supported by academic disciplines, form an ideology. An ideology can be dominant, but it is also clearly discernible. As we saw above, although ideologies can hold actors captive, they can relatively easily be subjected to criticism. Ideologies can be criticized in different ways: as being empirically false (for example, large sections of economic activity are not organized as markets and rely on state support for their functioning), for their negative or undesirable functional properties (for example, markets result in increasing inequality or global warming), for presenting a false genealogy (for example, markets are not natural but were imposed, with violence, on communities), for their lack of inner consistency, and for containing logical contradictions (Geuss, 1981: 26–45; Farnsworth, 2012; Piketty, 2014; Polanyi, 1944[2001]). The problem with 'Ideologiekritik', important as it is, is that it often does not result in any change. Even when the critique is persuasive, scientifically corroborated, and 'stares you in the face' as it were, it does not necessarily result in any ameliorative change.[6] This is because criticism of ideology misses the 'aspectival' elements of hegemony, the background knowledge and tacit understandings that anchor the ideology in the 'natural' order of things and efface its character of ideology.

In addition to beliefs and norms, a hegemonic complex also consists of rules and procedures. Although rules and procedures can easily be observed, and thus criticized, they should be seen as a kind of bridge to the more tacit and naturalized aspects of hegemony. The transition from anti-trust legislation to a form of business regulation based on shareholder value, aided and abetted by economic theory, is just such an example. What makes regulation and legislation more difficult to criticize is, first, its arcane and specialist character. In addition, changes in regulation, even momentous ones, happen outside the spotlight of the media or social movements. This applies a fortiori when the regulation is transnational and escapes the scrutiny of national parliaments and specialists (Klein, 2014: 72). Second, once regulation is in place, anchored into legislation, it is exceedingly difficult to overturn. Regulation is the domain where a dominant neoliberal ideology merges with democratic elitism. Experts from government, public administration and business usually work together to formulate and legislate the required regulation (Brown, 2015: 227). After it has passed parliament and/or has been made

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into law, it has acquired the requisite authority to allow it to organize, regulate and even bring into being a particular area of economic activity.

Once regulation is securely in place, it results in the routinization of a wide swath of activities. Taken together these routine activities form a practice. There are many definitions of a practice, each emphasizing different elements, but most of them point to a coherent, socially and historically established, human activity through which goods are produced, and structure and meaning are realized (Nicolini, 2012: 9; Cook and Wagenaar, 2012). For various reasons practices are very hard to criticize. First, they work in an obvious way. 'This is how we do things here', and upon the critic rests the ungrateful task to demonstrate that you can do it better differently. Second, practices are configurations of material artefacts, embodied movements, taken-for-granted beliefs and values, affects and language. In other words, practices are anchored in the social-material world by a set of powerful, interlocking and only partly conscious placeholders. Changing one element of a practice (for example beliefs) does nothing to change the other elements.

Finally, the development of a set of practices following from and underpinning a particular ideology results in changes in individuals' self-understandings, imaginaries, aspirations and identity. Mirowski call this 'everyday neoliberalism' and describes the neoliberal subject as entrepreneurial, fragmented, responsible for her own success, always calculating her risks and chances, thinking of herself in terms of human capital, continuously improving herself occupationally, physically, aesthetically, increasing her value, because she is forever in competition with others (Mirowski, 2014: 92). At this stage the hegemony has taken on the shape of a self-evident mentality, a way of life that is supported by a wide range of rules, prohibitions, competences, beliefs, practices and institutions. For example, the rise of the citizen as consumer, whose aspirations are to obtain a higher education qualification (and take on a large student debt), obtain a well-paying job that allows him or her to obtain a mortgage (facilitated by right-to-buy or mortgage reduction schemes) to buy a house, start a family, buy a car (paid for with a consumer loan) and go on holiday twice a year, constitutes just such a confluence of personal disposition and institutional facilitation. In this way everyday neoliberalism has become a lifestyle, an aspiration, a taken-for-granted way of doing things, a practice of living the middle class life, all of which is constituted by a dense web of financial-economic-administrative regulation and the concomitant ideologies.

The reader will have noticed that I have given considerably less attention to democratic elitism than to everyday neoliberalism. The reason is that the two work together, with the state- and elite-oriented

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nature of democratic elitism providing the perfect vehicle to usher in and provide legitimacy for, and authority to, a wide range of neoliberal measures. The double hegemony of contemporary liberal democracy has merged to create a particular form of governmental reason, a distinct neoliberal rationality. This governmental reason can be described as the subjugation of all aspects of political rule to economic considerations. Brown describes this homology between the demos and the firm as follows:

> As both individual and state become projects of management, rather than rule, as an economic framing and economic ends replace political ones, a range of concerns become subsumed to the project of capital enhancement, recede altogether, or are radically transformed as they are 'economized'. These include justice (and its subelements, such as liberty, equality, fairness), individual and popular sovereignty, and the rule of law. They also include the knowledge and the cultural orientation relevant to even the most modest practices of democratic citizenship. (2015: 22)

The upshot of this argument is that the double hegemony of contemporary liberal democracy has resulted in a hollowing out of both the ideal and practice of democracy. Regarding the latter, more and more aspects of collective decision-making are removed from parliamentary deliberation or collective judgement; by transferring the remit for large domains of collective life to supranational regulation or non-elected agencies, or by subjugating them to seemingly immutable rationalities of debt reduction. But perhaps more importantly, the very idea of democracy as political equality and inclusion, of the promise of personal growth by participating in deliberation about collective issues, has been compromised and discredited by being subjected to 'obvious' notions of economic growth and managerial efficiency.

4. DEMOCRATIC TRANSFER: TAKING BACK THE STATE FOR DEMOCRACY

The challenge of hegemony in its aspectival, everyday sense, is that it is exceedingly difficult to oppose. However, this is not a plea for fatalism. Hegemony is not the outcome of immutable historical forces or the anonymous growth of mentalities. As the preceding section shows, underlying the double hegemony of the current political-economic order are rules, laws, decisions and institutions, each of which is the product of human design that can, in principle, be challenged, transformed and undone. Neither do I argue for a dissociation of popular sovereignty and

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the state, through forms of direct democracy and popular action outside the formal political system – although I consider these important for the revitalization of democracy (Graeber, 2013). In the tradition of protective democracy, an effective, functioning demos requires the protection that the rule of law provides against the infringement on liberty and quality of life by social and corporate actors, as well as against the arbitrary behaviour of government itself (Macpherson, 1977; Linz and Stepan, 1978). In this final section, I will argue that a vital, flourishing democracy, both as practice and ideal, requires a vital civic order as well as the active involvement of the state (Ansell, 2011; Warren, 2014). The strategy of overcoming the double hegemony of contemporary liberal democracy that I will describe I have called *Democratic Transfer*. Its essence is the transfer of democratic forms and practices that originate and flourish in the civic sphere to political society. The rationale is that the forces that work against electoral democracy (lagging governance capacity, broken linkages of representation and accountability, corporate influence) can be counteracted in two ways: through the initiation of governance-driven forms of democratization (Warren, 2014; Ansell, 2011) or, conversely, through the transfer to political society of models and processes of democratic governance that originate in the civic sphere (Avritzer, 2002). A deepening of democracy along the dimensions of franchise, scope and authenticity requires both.

Important as it is to develop effective forms of collaborative governance initiated by enlightened administrators, to counteract the de-democratizing effects of neoliberalist hegemony, it is not enough. Apart from the dangers of government-dominated political agendas, the reach of neoliberal reason, of the economization of every sphere of life, is such that it can easily elude government reform. As Brown argues:

> Strong bank regulation … public reinvestment in education, campaign finance reform, renewed commitment to equal opportunity, or even wealth redistribution, could coexist with the economization of political life, the remaking of education by business metrics, or the formulation of elections as market places and political speech as market conduct. Thus, neoliberal economic policy could be paused or reversed while the deleterious effects of neoliberal reason on democracy continued apace unless replaced with another order of reason. (2015: 201)

However, given the cognitive and affective reach of neoliberal reason, and given that civic sphere initiatives to increase the three dimensions of democratization will encounter resistance from the political and economic elite, how can Democratic Transfer overcome these formidable obstacles? I will argue for a two-pronged strategy in which the two parts

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complement and support each other. The first part consists of pushing for civic sphere innovations to be accepted and integrated in institutionalized electoral democracy. This process of civic innovation is supported by a process of 'redescription', as suggested by the political philosopher James Tully.

The starting point of a strategy of democratic transfer is the profusion of small and large citizen initiatives that originate in the civic sphere. These range from starting a public enterprise to produce sustainable energy, to a neighbourhood collective that partners with a housing association in an urban renewal initiative, to patients who start a website to share and exchange their experiences with certain treatments (Wagenaar and Healey, 2015; Wagenaar and van der Heijden, 2015; Wagenaar and Specht, 2010; Prainsack, 2013). What distinguishes such initiatives from traditional political decision-making and corporate production and financing practices is that they do things differently in important ways regarding economic and administrative organization, democratic authenticity, profit and sustainability (Wagenaar and van der Heijden, 2015; Beunderman and van der Heijden, 2015). For a proper assessment of their potential role in a process of democratic renewal it is important that we understand the nature and import of these initiatives. The public enterprise not only produces renewable energy but also organizes itself as a cooperative, reinvesting all profits in the enterprise. The neighbourhood initiative strictly operates through face-to-face deliberation. The patient platform makes treatment information freely available to all. Residents transform vacant lots in their neighbourhood into 'platforms for community-based and integrative activities that would not be possible anywhere else in these cities' (Honeck, 2015). To call these initiatives a form of resistance probably goes too far; rather they constitute 'practices of freedom' that have deliberately chosen to deviate from the hegemonic script and thereby, deliberately or unknowingly, challenge power relations (Wagenaar, 2014: 245). In their careful constitution of an alternative to the economization of everyday life, they certainly constitute an implicit, critical commentary on reigning practices of state governance and economic organization.

Perceiving such initiatives as alternatives – interesting but in the end rather ineffective local experiments – to the reigning democratic order would amount to a shallow and misguided understanding of informal, civic sphere practices and their role in a deeper, more inclusive conception of democracy. Such a perception is informed by the democratic elitism that afflicts so much of our understanding of governance and democracy. Instead, I suggest embracing Tully's methodology of 'redescription' as a necessary complementary strategy. Redescription

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amounts to a transformation of 'the self-understandings of those subject to, and struggling within, [problematic forms of governance] that enables us to see its contingent conditions and the possibilities of governing themselves differently' (2008, 16). In other words 'redescription' foregrounds the historically and contextually fortuitous nature of the institutions that make up electoral liberal democracy, and, thus, invites a serious debate about alternatives that have a better fit with the challenges of our times. At the same time it suggests practical alternatives to these sedimented structures and understandings. In practice this amounts, among other things, to a redrawing of taken-for-granted conceptual boundaries. For example, such a reinterpretation of liberal democracy would include the everyday practices of citizens and civic sphere actors as integral to its ideals (Wagenaar, 2014). Or, it would expand the reach of popular sovereignty to governance domains that are now deemed outside its remit, such as economic organization, monetary policy, labour rights or international trade agreements. This is not merely a reinterpretation, albeit an important one, of democratic theory but rather a rethinking that has paradigm-breaking implications for the gradual construction of a more inclusionary conception of democracy. Expanding our conception of democracy to actively include the demos:

> enables us to see that we are much freer and our problems are more tractable than the grand theories (of democracy) make it seem. For while we are still entangled in conditions that constrain and enable and are difficult to change, we are no longer entrapped in background conditions that determine the limits of our foreground conditions. (Tully, 2008: 9)

The second step in a strategy of democratization would be the export of these civic sphere innovations to political society. The example here is the third wave of democratization in Latin America in the 1980s in which a number of totalitarian states transformed into parliamentary democracies. The active element of this remarkable process of democratization was the role of collective action. More precisely, the emergence of the participatory public in civil society and their ability to transform their practices into institutionalized liberal democracy was the overriding characteristic of this successful democratic transformation (Avritzer, 2002). The Latin American example provides pointers for a successful transformation of neoliberal electoral democracy. The key is to redesign the relation between political elites and the public by substituting formal procedures for democratic accountability with deliberative capacity (Avritzer, 2002: 133). Instead of the usual majoritarian logic of collective democratic governance, which leads to tenuous and ambiguous linkages

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between citizen preferences and governing capacity, institutional designs need to integrate citizen preferences, expertise and process into administrative capacity and formal accountability procedures. In other words, the task is not to connect civic sphere innovation with traditional representative institutional forms, but instead to design institutions that incorporate the deliberative, non-monetized practices of collective problem solving that have emerged in civil society (Avritzer, 2002).

There is no ready-made blueprint for this integration of alternative principles of production, financing and democratic governance in the reigning economic-political order. Moreover, as the Icelandic example illustrates, political and corporate power are likely to resist any changes that threaten their interest. The good news is that the civic sphere provides working alternatives to the dysfunctional hegemonic order of democratic elitism and neoliberal market capitalism. The problem is the integration of these alternative principles in the current institutional order. Dietz and O'Neill, in their book on building a sustainable economy, suggest that this requires a re-envisioning of four keystones of the economy: investment, productivity, ownership and environmental values (2013, 195). I would add that for this re-envisioning to work we need to supplement economic transformation with a re-envisioning of our democracy. Let me illustrate what I mean by way of an example.

Currently, businesses are financed and organized according to the shareholder model. Many civic enterprises, and a surprisingly large number of 'regular' corporations, operate according to a cooperative model. Cooperatives blend democratic association, joint ownership and economic control. It would go too far in the space of this chapter to discuss all the features of cooperation, but a few should be mentioned. For example, the owners/members determine the goals of the organization. Indeed, '(m)eeting the … common economic, social and cultural needs and aspirations of persons is the key element in the economic rationality of cooperatives' (Sanchez Bajo and Roelants, 2013: 117). Employees of cooperatives are also owners/members, which implies, among other things, workplace democracy, more level wage relations, and control over business capital. In fact one of the characteristics of cooperation is that capital reserves are indivisible and therefore form a strong protection against the debt trap (Sanchez Bajo and Roelants, 2013: 125). As members are long-term stakeholders they tend to opt for more long-term strategies and stability of the cooperation, as opposed to the profit maximization of the shareholder model. Finally, cooperatives are usually aware of the needs of the wider environment in which they operate (Sanchez Bajo and Roelants, 2013: 119; Isern, 2015). It can be

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imagined that certain sectors of the economic order, such as the production of health and long-term care, or sustainable food or energy, can gradually move towards the cooperative model.[7] The state can play a facilitative role in this; after all, the cooperative would contribute to the goals of the state. Imaginative political parties could take up the cooperative cause in their platforms. In terms of democratic renewal, the cooperative organization of the above sectors would increase the franchise, scope and authenticity of democratic association. This opens the prospect for a genuine renewal of democracy in that new actors will participate, new, more authentic processes of collective judgement will emerge, and new, more inclusive, values will infuse the process and institutions of liberal democratic governance.

NOTES

1. The manic phase of Iceland's financial expansion was fuelled by a curious discourse, enthusiastically supported by academics publications, as predestined by the national character: '(T)he success of the Icelandic entrepreneur overseas is expressed in term such as *útrás* (outward expansion) and *útrásarvíkingur* (Business Viking).' (Loftsdóttir, 2015: 9).
2. The 25 members of the constitutional council were originally selected through a national election. However, someone challenged the legality of the vote on rather frivolous procedural grounds. The challenger turned out to have connections with members of the financial and fishing industry, which had created the financial crisis in the first place. The Icelandic Supreme Court rejected the results of the vote, after which Parliament appointed the 25 members of the Council, but gave them only four months to rewrite the constitution (Interview with member of the Constitutional Council by author).
3. This argument now extends to nations as a whole. The recent bailout of Greece, with the unworkable economic conditions that are imposed by the EU, and the loss of sovereignty and ignoring of national democratic choices that the process entails, is a telling case that illustrates all of the above points.
4. For a similar genealogy of liberal democracy, although almost exclusively focusing on its history of ideas, see Macpherson (1977).
5. The main purpose of Polanyi's *Great Transformation* is precisely to debunk that myth.
6. This is the starting point of both Crouch's book, *The Strange Non-Death of Neoliberalism* (2011) and Mirowski's *Never Let A Good Crisis Go to Waste* (2014). Both explain the resilience of ideologically dysfunctional systems by moving beyond neoliberal ideology.
7. See Hirst (1994, chapter 5) for examples of the transition towards a cooperative model in the industrial sector.

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